

STATE OF CALIFORNIA

Budget Change Proposal - Cover Sheet

DF-46 (REV 05/11)

Fiscal Year 2013-14	BCP No. 7	Org. Code 0860	Department Board of Equalization	Priority No. 7
Program Sales and Use Tax Program			Element All Elements	Component N/A

Proposal Title
TIMBER REGULATION AND FOREST RESTORATION FEE

Proposal Summary

The Board of Equalization (BOE) requests additional implementation costs of \$995K and 3.4 positions in FY 2012-13, \$656K and 4.0 positions in FY 2013-14 and \$571K and 4.0 positions ongoing to implement the new Lumber Products Assessment. Originally, the fee was considered a tax imposed upon the retailer pursuant to the draft language in AB 1492. On August 7, 2012 the language of AB 1492 was amended, whereby a Public Resource Code provision was added to impose a one percent assessment. Rather than imposing the tax on the retailer (similar to the existing sales and use tax program), this assessment is imposed on the purchaser for the storage, use or other consumption of lumber products in this state. Retailers are required to collect this assessment from the purchaser and remit directly to the BOE. This results in additional workload not addressed in the BOE's original request for funding. AB 1492 was Chaptered September 11, 2012.

Requires Legislation <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed	
Does this BCP contain information technology (IT) components? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the California Technology Agency, or previously by the Department of Finance. <input type="checkbox"/> FSR <input type="checkbox"/> SPR Project No. Date:		

If proposal affects another department, does other department concur with proposal? ☐ Yes ☒ No

Attach comments of affected department, signed and dated by the department director or designee.

Budget Officer	Date	Chief, Financial Management Division	Date
Deputy Director, Administration	Date	Executive Director	Date

Department of Finance Use Only

Additional Review: <input type="checkbox"/> Capital Outlay <input type="checkbox"/> ITCU <input type="checkbox"/> FSCU <input type="checkbox"/> OSAE <input type="checkbox"/> CALSTARS <input type="checkbox"/> Technology Agency	
BCP Type: <input type="checkbox"/> Policy <input type="checkbox"/> Workload Budget per Government Code 13308.05	
PPBA	Date submitted to the Legislature

STATE BOARD OF EQUALIZATION
Sales and Use Tax Program
Timber Regulation and Forest Restoration Fee
Fiscal Year 2013-14

A. Proposal Summary

The Board of Equalization (BOE) requests additional implementation costs of \$995K and 3.4 positions in FY 2012-13, \$656K and 4.0 positions in FY 2013-14 and \$571K and 4.0 positions ongoing to implement the new Lumber Products Assessment. Originally, the fee was considered a tax imposed upon the retailer pursuant to the draft language in AB 1492. On August 7, 2012 the language of AB 1492 was amended, whereby a Public Resource Code provision was added to impose a one percent assessment. Rather than imposing the tax on the retailer (similar to the existing sales and use tax program), this assessment is imposed on the purchaser for the storage, use or other consumption of lumber products in this state. Retailers are required to collect this assessment from the purchaser and remit directly to the BOE. This results in additional workload not addressed in the BOE's original request for funding. AB 1492 was Chaptered September 11, 2012.

B. Background/History

Effective January 1, 2013, the Lumber Products Assessment will be imposed upon the purchaser for the storage, use or other consumption of lumber products in this state. Under AB 1492, unlike retailers liable for sales and use tax, retailers will be permitted to claim on their sales and use tax return a reimbursement for one-time start up costs. For the purposes of administering this Lumber Products Assessment imposed upon the purchaser, additional one-time costs are required.

The BOE is statutorily mandated to administer the Sales and Use Tax Program. Implementation of the new Lumber Products Assessment imposed upon the retailer requires the BOE to program the Integrated Revenue Information System (IRIS) mid-tier and web applications to accommodate changes to the various returns, revenue, audit, and accounting subsystems. The Lumber Products Assessment will be filed electronically with the retailer's sales and use tax return and as such, requires an increase in costs due to additional Information Technology (IT) programming. The BOE received \$1.92 million for FY 2012-13; \$2.31 million for FY 2013-14, \$1.81 million for FY 2014-15 and \$1.69 million ongoing to fund this implementation in the FY 2012-13 Budget Act based on original draft language. AB 1492 was later amended and has created additional workload not addressed in the original proposal.

C. State Level Considerations

The BOE is charged by the State Constitution, and by statute with, amongst other tasks, administering the state's sales and use tax, fuel, alcohol and tobacco taxes as well as collecting fees to fund numerous specific state programs. Successful administration of these tax and fee programs has resulted in the collection of approximately 35.6 percent of the annual revenue for state government and essential funding for counties, cities, and special taxing districts. The programs administered by the BOE produced \$50.7 billion in FY 2009-10 for education, public safety, transportation, housing, health services, social services, and natural resource management.

D. Justification

Pursuant to the amendments to AB 1492, the Public Resources Code provisions impose a one percent Lumber Products Assessment upon the purchase of lumber products, and requires the assessment due to be collected by the retailer upon the sale of the lumber product to the purchaser. The retailer is permitted to be reimbursed for the one-time start up costs that the retailer incurs to collect this Lumber Products Assessment. The additional funding in this proposal will allow for the retailer to be reimbursed for one-time start up costs to be filed and claimed with their sales and use tax return.

The BOE anticipates 60,000 taxpayers will be required to register, collect, and remit this new Lumber Products Assessment imposed upon purchasers of lumber products. As such, it is likely that these taxpayers will not fully understand the complexity of identifying specifically what lumber products are included and which are excluded from the definition of "lumber products." Therefore, with the additional resources included in this proposal, the affected taxpayers will be afforded the ability to interact with the BOE staff, properly remit the assessment, and claim the reimbursement for their one-time costs online via the BOE's e-filing system.

E. Outcomes and Accountability

This proposal is projected to generate \$30 million in revenue annually.

Workload Measure	Projected Outcomes		
	2012-13	2013-14	2014-15 ongoing
Revenue	\$15 million	\$30 million	\$30 million

F. Analysis of All Feasible Alternatives

Alternative 1 – Provide funding of \$995K and 3.4 positions in FY 2012-13, \$656K and 4.0 positions in 2013-14, and \$571K and 4.0 positions and ongoing.

The requested resources would allow the BOE to continue to provide high quality service to taxpayers while protecting the Timber Regulation and Forest Restoration Fund revenue.

Pros:

- Provide the resources needed to timely and efficiently implement the statutorily mandated Lumber Products Assessment.
- Provides for adequate resources to retailers and purchases of lumber products that will be required to remit and pay the Lumber Products Assessment.
- Provides funding to adequately protect the Timber Regulation and Forest Restoration Fund.

Cons:

- Requires additional resources.

Alternative 2 – Deny the request.

Pros:

- Does not require a budget augmentation.

Cons:

- Does not provide retailers and purchasers of lumber products the necessary resources to properly remit the correct amount of Lumber Products Assessment.
- Does not guarantee that the Timber Regulation and Forest Restoration fund will be adequately protected.
- May delay expected revenues if forced to redirect other resources for these efforts and may result in lost revenue due to the short timeframe for implementation if adequate resources are not provided.

G. Implementation Plan

July 2012 through June 30, 2013 and on-going

- Hire Staff.
- Perform necessary IRIS, mid-tier and web applications.
- Make programming changes to the sales and use tax returns.

- Institute programming changes and implementation changes to eReg.
- Correlate programming changes to allow for reimbursement to the retailers for their one-time start up costs.
- Provide certification to retailers required to collect the Lumber Products Assessment.

H. Supplemental Information *(Check box(es) below and provide additional descriptions.)*

☐ None ☐ Facility/Capital Costs ☐ Equipment ☒ Contracts ☐ Other _____

External consulting services are necessary to make the appropriate modifications to the existing IRIS, eFile and eReg systems in the necessary timeframe for implementation.

I. Recommendation

Alternative 1 is recommended. This alternative allows the BOE to meet its statutory obligation to efficiently administer the Lumber Products Assessment.

Exhibit I: Workload Detail

TECHNOLOGY SERVICES DEPARTMENT

1.5 Staff Programmer Analyst (SPA)

Review of workload indicates that BOE will need an additional 1.5 technology positions to support application development resulting from this legislation. The expected increase will require additional staff support for programming. Implementation of a new tax or fee program requires substantial enhancements to the BOE's IRIS systems in order to efficiently administer and integrate the new fee into the BOE's infrastructure. The following one-time and on-going costs detail the resource needs.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H=Hours	Percentage of Time Per Activity		Total Hours
SPA	Application development system requirements analysis	H	20%		540
	Logical and physical system design and documentation	H	30%		810
	System construction and unit testing	H	50%		1350
	Total Hours				2700
	Total SPA Positions Requested (1,800 Hours/Position)				1.5

2.5 Staff Information Systems Analyst (SISA)SISA – System Analyst/Tester

The SISA – System Analyst/Tester performs system integration testing and user system testing for computer system changes. The expected increase will require additional staff support for testing.

Workload Detail					
Classification	Activity	Time Measure		On-going Activities	
		H=Hours	Percentage of Time Per Activity		Total Hours
SISA	Maintenance Request Analysis	H	40%		480
	System Test Design and Planning	H	40%		480
	System Test and Documentation	H	20%		240
	Total Hours				1200
	Total SISA Positions Requested (1,800 Hours/Position)				0.7

SISA – Business Analyst

The SISA – Business Analyst in TSD gathers and documents business and technical requirements for changes. The expected increase will require additional staff support for requirements.

Classification	Activity	Workload Detail			
		Time Measure		On-going Activities	
		H=Hours	Percentage of Time Per Activity		Total Hours
SISA	Gather business and technical requirements	H	40%		340
	Document business and technical requirements and develop test plans	H	40%		340
	Leads and facilitates business impact analysis and participates in business training needs	H	10%		85
	Perform miscellaneous duties as required by management	H	10%		85
	Total Hours				850
	Total SISA Positions Requested (1,800 Hours/Position)				0.5

SISA – Support Services

The SISA – Support Services in TSD provides overall project support.

Classification	Activity	Workload Detail			
		Time Measure		On-going Activities	
		H=Hours	Percentage of Time Per Activity		Total Hours
SISA	Provide project management	H	40%		920
	Prepare, review and manage contracts	H	10%		230
	Perform job scheduling and monitoring	H	10%		230
	Coordinate printing reports, distribution, media, etc.	H	10%		230
	Perform production implementation	H	10%		230
	Coordinate data center requests	H	10%		230
	Perform miscellaneous duties as required by management	H	10%		230
	Total Hours				2300
	Total SISA Positions Requested (1,800 Hours/Position)				1.3

DF-46 (REV 05/11)							
Fiscal Summary (Dollars in thousands)							
BCP No.	Proposal Title					Program	
7	Timber Regulation and Forest Restoration Fee					Sales and Use Tax	
Personal Services	Positions			Dollars			
	CY	BY	BY + 1	CY	BY	BY + 1	
Total Salaries and Wages ¹	3.4	4.0	4.0	\$235	\$277	\$277	
Total Staff Benefits ²				\$85	\$101	\$101	
Distributed Administration				\$72	\$48	\$42	
Total Personal Services	3.4	4.0	4.0	\$392	\$426	\$420	
Operating Expenses and Equipment							
General Expense				\$66	\$12	\$12	
Distributed Administration				\$18	\$12	\$10	
Printing							
Communications				\$6	\$4	\$4	
Postage							
Travel-In State							
Travel-Out of State							
Training				\$4	\$4	\$4	
Facilities Operations				\$57	\$57	\$57	
Utilities				\$1	\$1	\$1	
Consulting & Professional Services: Interdepartmental ³							
Consulting & Professional Services: External ³				\$400	\$80		
Data Center Services				\$30	\$45	\$48	
Information Technology				\$21	\$15	\$15	
Equipment ³							
Other/Special Items of Expense: ⁴							
Total Operating Expenses and Equipment				\$603	\$230	\$151	
Total State Operations Expenditures				\$995	\$656	\$571	
Fund Source	Item Number						
	Org	Ref	Fund				
General Fund	0860	001	0001				
Special Funds ⁵	0860	001	3212	\$995	\$656	\$571	
Federal Funds							
Other Funds (Specify)				\$995	\$656	\$571	
Reimbursements	0860	001	0995				
Total Local Assistance Expenditures							
Fund Source	Item Number						
	Org	Ref	Fund				
General Fund							
Special Funds ⁵							
Federal Funds							
Other Funds (Specify)							
Reimbursements							
Grand Total, State Operations and Local Assistance				\$995	\$656	\$571	

¹ Itemize positions by classification on the Personal Services Detail worksheet.

² Provide benefit detail on the Personal Services Detail worksheet.

³ Provide list on the Supplemental Information worksheet.

⁴ Other/Special Items of Expense must be listed individually. Refer to the Uniform Codes Manual for a list of standard titles.

⁵ Attach a Fund Condition Statement that reflects special fund or bond fund expenditures (or revenue) as proposed.

(Whole dollars)

(Whole dollars)

[illegible]

1 Use standard abbreviations per the Salaries and Wages Supplement. Show any effective date or limited-term expiration
 2 date in parentheses if the position is not proposed for a full year or is not permanent, e.g. (exp 6-30-13) or (eff 1-1-13)
 3 **Note: Information provided should appear in the same format as it would on the Changes in Authorized Positions.**

² If multiple programs require positions, please include a subheading under the classification section to identify positions by

³ Totals must be rounded to the nearest thousand dollars before posting to the Fiscal Summary.

⁴ Permanent positions starting September 2012.

Supplemental Information

(Dollars in thousands)

BCP No.	Proposal Title				
7	Timber Regulation and Forest Restoration Fee				

Equipment				CY	BY	BY +1
Standard Complement				\$167	\$125	\$128
Total				\$167	\$125	\$128

Consulting & Professional Services						
Contract Services				\$400	\$80	
Total				\$400	\$80	

Facility/Capital Costs						
Facility Costs				\$57	\$57	\$57
Utilities Costs				\$1	\$1	\$1
Total				\$58	\$58	\$58

One-Time/Limited-Term Costs		Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>			
Description	CY		BY		BY +1	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
General Expense		\$65				
Communications		\$2				
Data Center		\$18				
IT Costs		\$11				
	0.0	\$96	0.0		0.0	

Full-Year Cost Adjustment	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>			
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Provide the incremental change in dollars and positions by fiscal year.

Item Number	CY		BY		BY +1	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
	3.4	\$995	0.6			
Total	3.4	\$995	0.6		0.0	

Future Savings	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>			
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Specify fiscal year and estimated savings, including any decrease in positions.

Item Number	CY		BY		BY +1	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
				-\$339		-\$85
Total	0.0		0.0	-\$339	0.0	-\$85

Special Fund Detail

(Dollars in thousands)

BCP No.	Proposal Title					
7	Timber Regulation and Forest Restoration Fee					
Special Fund Title	Item Number			Dollars		
	Org	Ref	Fund	CY	BY	BY + 1
Breast Cancer Fund	0860	001	0004			
State Emergency Telephone	0860	001	0022			
Motor Vehicle Fuel Account	0860	001	0061			
Occupational Lead Prevention Fund	0860	001	0070			
Childhood Lead Poisoning Prev. Fund	0860	001	0080			
Cig. and Tobacco Prod. Surtax Fund	0860	001	0230			
Oil Spill Prevention and Admin. Fund	0860	001	0320			
Integrated Waste Management	0860	001	0387			
Underground Storage Tank Fund	0860	001	0439			
Energy Resources Programs Account	0860	001	0465			
CA. Children and Families First Trust Fund	0860	001	0623			
Federal Trust Fund	0860	001	0890			
Timber Tax	0860	001	0965			
Gas Consumption Surcharge Fund	0860	001	3015			
Water Rights Fund	0860	001	3058			
Elec. Waste Recovery and Recycling Acct.	0860	001	3065			
Cig. And Tobacco Prod. Compliance	0860	001	3067			
Timber Regulation and Forest Restoration	0860	001	3212	\$995	\$656	\$571
Total Special Funds - State Operations ¹				\$995	\$656	\$571
Special Fund Title	Item Number			Dollars		
	Org	Ref	Fund	CY	BY	BY + 1
Total Special Funds - Local Assistance ²						

¹ Total must tie to "various" funds identified for State Operations, Special Funds in the Fiscal Summary. Add rows if necessary.

* Total must tie to "various" funds identified for Local Assistance, Special Funds in the Fiscal Summary.